

PROJECT OVERSIGHT REPORT

Merchandising Business Systems Project (MBS)
Washington State Liquor Control Board (WSLCB)

Report as of Date:
April 2004

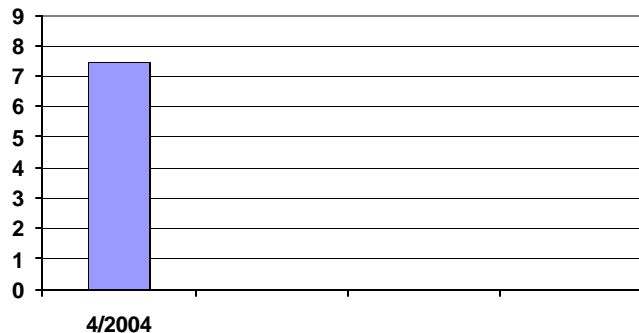
Project Director: Linda Bremer
Executive Sponsor: Pat Kohler

MOSTD Staff: Andy Marcelia

Severity/Risk Rating: High (high severity, high risk)

Oversight: Level 3 – ISB

Phase 1 Project Risk Assessment



Project Introduction: Since termination of the GERS contract, the WSLCB is continuing to move forward to replace the retail MBS system by prioritizing and focusing on the most critical business needs first. The WSLCB has identified the POS replacement as the highest priority for the agency and has set a goal to have the new POS equipment operational in all state run stores by October 2004. This priority was identified because of its impact on improving customer service and risk to state revenue due to system failures.

Staff Recommendations: ISB staff recommends that the WSLCB continue to maintain high level of communications with all stakeholders relative to the MBS project and, as soon as complete information is available, communicate the estimated resources needed to replace the point-of-sale (POS) system in the state operated stores.

Issues/Risks (Phase 1):

- Schedule: The current POS software is being ported to the new IBM SurePOS equipment. Functional testing is taking longer than planned due to technical issues with the old DOS system running on the new hardware as well as limited testing methodology at the WSLCB. An outside 'tiger team' of experts is being brought in to evaluate the situation and debug the problems. All project schedule contingency has been used and the scheduled durations of several future tasks have been shortened to insure the project can make the October 1, 2004 due date. There is a risk that the date cannot be met with the current deployment plan.
- Budget/Cost: No issues/risks.
- Scope: No issues/risks.
- Resources: The agency has authorized bringing in additional outside resources to assist in solving the functional testing problems. WSLCB is very thin in resources for critical IT functions. In acute situations there are insufficient resources to support operational issues and project activities simultaneously.
- Project Management/Processes: WSLCB's processes are CMM level 1 equivalent.

Status (Phase 1):

- Life Cycle Stage: Phase 1 is in the development and testing stage. The agency is developing the capability to operate the current POS software on the new hardware (Phase 1) and install the new hardware in the 161 state stores. The IBM SurePOS equipment was procured under the GERS contract.
- Project Management /Processes: Due to WSLCB's critical resource shortages, the agency has retained outside project management and added technical support for this project.
- Budget/Cost: The new spending plan is based on current spending authority level.

Issues/Risks (Phase 2):

- Schedule: No issues/risks. Triversity, the POS software vendor, is on schedule to complete the business analysis report. This report will match their product to WSLCB POS requirements and estimate the implementation costs.
- Budget/Cost: No issues/risks. Cost estimates are expected to be within current spending authority levels.
- Scope: No issues/risks.
- Resources: No issues/risks.
- Project Management/Processes: No issues/risks.

Status (Phase 2):

- Life Cycle Stage: Phase 2 is a Triversity conducted study to analyze and plan the implementation of the their software in the state run liquor stores. Triversity was the POS subcontractor under the GERS contract. The study will seek to leverage the investment already made with this vendor's software testing and training. The WSLCB is assisting the detailed analysis of the requirements for integrating the Triversity POS software to the agency's existing merchandising systems and the state's accounting system. The WSLCB intends to use Triversity to implement the new POS system in the 161 state stores. If it is determined that Phase 2 could be completed by October 2004, Phase 1 would not go forward.
- Project Management /Processes: Triversity will provide project management services coupled with project management from the WSLCB.
- Budget/Cost: The new spending plan is based on current spending authority level.

Strategy Moving Forward: In developing implementation strategies the WSLCB intends to:

- Mitigate the impact to customers
- Ensure the accurate distribution of over \$200 million/year in revenues to the state and local governments
- Protect and leverage MBS investments already made by the WSLCB for hardware, software, and training
- Stabilize the existing POS system before the next holiday season in 2004
- Meet other operational critical demands in the 2005-2007 biennium
- Position the WSLCB to realize incremental success and achieve critical project milestones by using a phased approach, and
- Position the WSLCB to use existing State enterprise systems whenever possible.

Phase 3 includes the planning and preparation for the replacement and upgrade of the corporate merchandising system. Due to significant changes in the MBS project as a result of the contractor default, the WSLCB is revisiting the underlying planning assumptions for the future phases of the MBS project. The WSLCB will begin re-planning the replacement and upgrade of critical components of the existing merchandising system immediately (i.e., general ledger, sales audit, forecasting, suggested replenishments, tax distribution, etc). The WSLCB will, if required, submit decision packages for the 2005 – 2007 biennium to complete this effort.

The WSLCB has retained Sterling Associates as a quality assurance consultant to determine how best to complete Phase 3 and help WSLCB identify alternative solutions. If existing support systems cannot be used or leveraged, the WSLCB will acquire a solution that best supports the agency's operational needs. It will also be necessary to review and refresh the agency IT Portfolio before the agency MBS planning efforts can be completed.

Next Steps: The immediate goal is to stabilize the existing POS system before the holiday season sales volumes begin in 2004. To accomplish this goal the WSLCB will complete the development of Phases 1 and planning for Phase 2 and then make appropriate decisions related to Phase 1 or Phase 2.

Budget: The WSLCB has not made any payments to GERS since the beginning of the current biennium due to disputes related to the progress of the project. The appropriation for this project is \$4,802,720. The GERS contract was for \$4 million. The WSLCB has \$1.8 million remaining of the original appropriation to invest in a new strategy. In addition, there is a \$1.3 million proviso in operation funds for the new system, creating a total of \$3.1 million. The spending plan is based on the current spending authority level.

Background Information

Description: The 2001 Legislature authorized the WSLCB to replace its POS software with a commercially available product capable of managing and supporting the agency's retail business. These business activities include procurement (timely sales and marketing data), distribution (electronic tracking of shipping and handling), wholesale and special orders, and POS in the 161 state liquor stores. The contract agent stores are not included in the project.

The WSLCB selected GERS, a leading supplier of merchandising, point-of-sale, and e-business solutions for retailers with more than 400 systems installed. Between January 2003 and August 2003, GERS had several schedule slippages. Following failure to pass user acceptance testing criteria the WSLCB terminated its contract with GERS Retail Systems (GERS) for default effective November 24, 2003. The WSLCB stopped all work with GERS on the MBS project at that time. The WSLCB immediately began exploring alternatives to address its POS and business information systems needs.

Due to their information systems age and obsolescence, the agency's merchandising systems represent a major exposure to the agency's ability to perform its core mission.

Technology: The WSLCB installed the IBM AIX/Oracle platform as proposed by GERS. The WSLCB purchased industry standard IBM cash registers and related POS equipment.